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## INTRODUCTION

Chicago Mayor Rahm Emanuel has asked the Chicago Federation of Labor (CFL), the Chicago and Cook County Building Trades Council (CCBT), and their affiliate unions (collectively referred to as “labor”) that represent the City’s workforce, to become a partner in working with his Administration to save taxpayers money and to save Chicago city workers’ jobs. From the outset, labor has been willing to do so by proposing and developing ideas to save the city money through identifying efficiencies in government operations. Labor took the extraordinary step of hiring **Public Works LLC**, a nationally recognized governmental consulting firm, to help develop these ideas in a way that will be useful to the Mayor, the City, and its taxpayers.

Labor and management have the capacity to work together to save the City and taxpayers money. There are a number of examples demonstrating this capacity.

The City of Chicago Labor-Management Cooperation Committee (LMCC) established between labor and the City has led to roughly \$78 million in savings in health care for the City and its sister agencies. Between \$20 million and \$30 million of this are direct savings to the City.

Mayor Emanuel has said he is serious about and committed to making the City run better and more efficiently. This report reflects labor’s deep commitment to those goals. Labor began discussing the idea of addressing efficiencies in government for the City’s 2012 budget with the Mayor shortly before his inauguration. However, it wasn’t until late June that the Mayor approached the CFL and CCBT leadership and asked for their immediate help in meeting the financial challenges that the City faced in its 2011 budget. The CFL promptly contacted its consulting firm **Public Works LLC** to expedite its report on efficiencies. Accordingly, this report was written in a mere fraction of time that such a project truly requires. Despite the City’s cooperative approach, these time constraints and the limits on information availability necessarily restricted our ability to develop a broader range of recommendations and to analyze those presented here at greater depth.

Nevertheless, we have found that there are three major areas in which the City and its taxpayers can save money:

1. End the patronage for private companies that get City business without competitive bidding. Follow the advice of numerous policy experts and first work cooperatively in-house, management and labor together, to determine the most efficient way to deliver the highest quality service. If contracting out may be more efficient, give union workers a chance to compete in a fair process. Implementation of this **recommendation will save the City \$40 million.**
2. Right-size City departments, which will result in reducing the size of some departments, by eliminating managers who supervise as few as two employees (and sometimes even fewer!). **This recommendation will save the City \$37.5 million.**

3. Improve management efficiency in City government, to save millions of dollars, through a review of every department to eliminate waste and duplication, and find better ways to do business. **This recommendation will save the City \$165 million.**

**Together, these recommendations will save the City and its taxpayers over \$242 million.**

This report was produced with the input and direction of unions representing roughly one-third of the City workforce and the savings identified represent roughly one-third of the 2012 budget deficit.

## 1. SAVING MONEY BY INTRODUCING REAL COMPETITION

Labor believes the City should always try to manage its way out of inefficiency for cost savings to taxpayers before looking to the private sector to solve its problems. The City is wasting taxpayer money by “outsourcing” work to private companies with little or no analysis as to what would be the most cost-effective approach to take.

The 2011 City budget lists \$1.6 *billion* in City contracts for goods and services. A preliminary review indicates that about \$400 million of that amount consists of contracting for various categories of professional, technical, skilled and general labor.

The City workforce can do much of this work effectively for the City’s residents and taxpayers at a lower cost. In contrast to the private sector, the City workforce is not building a margin to create profit. Further, City workers are residents and taxpayers of the City of Chicago. Private contractors may draw their employee pool from outside localities and undercut area standards for compensation. Labor believes that Government should not be in the business of driving down compensation, and instead should be providing a competitive environment for City workers to improve services for taxpayers.

City contracts privatizing public services are susceptible to misuse. There are no measurable standards established by the City to determine true savings to outsourcing City services. Consequently, the concern that relationships between contractors and City administrators could color privatization decisions is real.

That’s not the best deal for the taxpayers.

Instead, Labor has a different idea. A better idea. An idea that – for Chicago – is truly revolutionary: Let’s have competitive bidding to determine who is the best provider of a service – the City government or the private sector, and if the private sector, which firm – and what is the best price.

Labor is prepared to compete against private businesses that claim they are more efficient. Mayor Emanuel has indicated that he is willing to make politically-favored private vendors do the same thing. If clout really is eliminated from the process, then Labor is confident that City employees will prove best qualified--but, either way, the *real* winners will be Chicago’s taxpayers.

### 1.1. The Way in Which the City Contracts Out Services Is Problematic

It is easy to claim that privatizing public services will save money. But the facts do not always bear this out. As cities and states pursue this approach, they are recognizing all of the components involved in providing certain services and that contracting out services is not as straightforward as originally claimed.

If the City is interested in saving money, and in pursuing results rather than ideology, then it needs to institute real competition between private vendors – *and* against the city workforce which, it turns out, often can deliver better results with significant savings.

Chicago has been on both sides of this issue. On the one-hand, the City can – and does – contract out services without even a cursory analysis as to whether contracting will in fact save money. Yet, there are also very real examples, though too few, of times when city workers were allowed to show how work could be done in-house cheaper than by the private sector. The examples below of electrical work completed for the Department of Aviation by city employees who beat private sector bids by significant amounts proves this fact.

In-sourcing through managed competition allows public employees to challenge the system in which they are sometimes caught up - where bureaucracy has evolved over years of inattention and too many have lost sight of the purpose and outcomes desired. Government bureaucracies have grown to produce a myriad of rules, regulations and policies, all coming together to produce a culture of "the way we've always done it" that cannot survive in the current economic environment with the deficits that governments are facing.

In addition, Chicago continues to use no-bid contracts and Task Order Requests (TOR) to circumvent the bidding process – awarding contracts to political contributors and other politically connected businesses.

Worst of all, contracts ship jobs outside Chicago – costing not only jobs for City taxpayers but also City revenues collected from working taxpayers who are making a fair wage with benefits. Whatever may be saved, and more, is lost when this occurs.

The solution: a real evaluation of City services and fair and open competition. And that competition must include city workers and protection of workplace standards. So far, Chicago has not instituted such a system of real competition.

## **1.2. Other Cities Have Instituted Fair Competition**

There are now numerous examples of public agencies successfully competing for work when the competitive process is well-designed and accurately defines the scope of work. Managing costs requires knowing the real costs for an operation or service. This is why drawing on the know-how of frontline employees can benefit government services and the bottom line. Developing a strategy to identify the real costs of providing a service, and establishing mechanisms for fair competition between the private sector and government employees can prove to be a win-win for all involved – workers, managers, and the taxpayer.

In June 2011, City employees in **Tulsa, Oklahoma**<sup>1</sup> beat out 12 private firms when they won a contract to provide all maintenance services for City Hall. The services were budgeted at \$1.1 million; however the City workers' winning bid was for just over

\$977,000, saving the City 10.5 percent. The employees submitted a bid that reduced one position, eliminated two vehicles, and proposed using an upgraded software system to streamline the process and improve services. In addition, the City set up a "reward" system: If employees can produce additional savings beyond that proposed in their bid, they will share 50/50 in the documented savings.

In May 2011, an independent advisory board in **San Diego, California**<sup>2</sup>, chose a City workers' bid over five others from private firms to run the City's print shop, lowering costs by 30 percent. The workers submitted a plan to operate the shop more cost-effectively by eliminating about \$1 million over five years of personnel and operating costs. San Diego is now working on similar bidding opportunities for fleet services, street sweeping, street and sidewalk maintenance, public utilities customer support, and landfill operations. The city projects savings of \$27 million annually once managed competition, where appropriate, is fully implemented.

In fact, San Diego's well-developed approach – including a Managed Competition web site, Pre-Competition Assessment Reports, Preliminary Statement of Work Reports, ongoing Managed Competition Status Reports, and Managed Competition Guide – provides a good example of the components that must be in place to establish such an approach.

When **Phoenix, Arizona**,<sup>3</sup> bid out solid waste collection services back in the late 1970's, City employees were permitted to, and did, submit a bid to continue providing the services. The City employees were not successful at first, however they quickly learned how to cut costs and submit bids that were competitive, winning contracts for several of the districts within the City.

Another example of managed competition that allowed City workers to submit bids to compete with private sector firms is in **Indianapolis, Indiana**. A study completed in 2005 by the School of International and Public Affairs at Columbia University reported that, from 1992 to 1997, Indianapolis saved \$230 million through competitive bidding of 70 different City services<sup>4</sup>.

Most notably, the City requested bids to manage its fleet, which at the time was handled by the Indianapolis Department of Fleet Services (IFS). IFS, competing with 32 private firms, successfully bid and was awarded a three-year contract, saving the City 35 percent over current costs. IFS reduced staff, creating a more efficient supervisor-to-worker ratio, and improved customer service (holding hundreds of intra-department meetings each year in order to ensure customers were happy with services). At the end of the three-year contract, IFS was awarded a follow-on contract and had expanded its services to other quasi-government agencies for which it provided fleet services. Charlotte, North Carolina, and San Diego, California, used the Indianapolis model to bid fleet services. When San Diego's City fleet department bid on providing the services, it produced a bid \$1.4 million below that of the next-lowest bidder.

In setting up these managed competition systems, each City developed similar approaches:

- The cities spent time reviewing in great detail all services being considered for bidding. They worked with employees to ensure that every aspect of the service performed was clearly identified, including services provided by other units within City government. For example, not until this type of review was completed did Tulsa officials and employees realize the extent to which the maintenance of City Hall depended upon their IT department. In fact, IT supported the establishment of work orders, status of work, hours, individuals who performed the work and completion dates. Having identified this, the City made sure that this type of work order initiation and tracking was included in bid specifications.
- Requirements for pay scales were addressed in bid specifications. Tulsa required the use of specified titles – such as engineer, carpenter, plumbers, etc. – that carried specified wage and benefit levels comparable to those of City employees doing the same work. Tulsa plans on future bids to require vendors to provide pay and benefit "packages" comparable to that given City workers.
- Each City carefully structured performance measures. Requirements for outcomes, not inputs or processes, were developed so that services were defined in these terms, not how an activity would be performed.
- Time and resources were devoted to training City employees on how to respond to a bid request and equipping them with the tools needed to understand requirements and develop proposals. In Tulsa and San Diego, the employee proposal teams set up to develop the employees' response to bids were trained on how to access needed information, how to develop approaches and strategies in response to a scope of work, how to respond to all other proposal requirements, and how to develop budgets.
- A monitoring system was established to ensure performance standards were fulfilled.
- The bidding processes were reviewed to ensure mechanisms were in place to allow for a "level playing field" for City workers and private vendors. San Diego established an independent committee to review bids and recommend awards.

### **1.3. City Workers Have Already Demonstrated That They Can and Will Compete – and That Fair Competition Will Save Chicago Money, Too**

Prior City administrations have talked and acted as if privatizing city services would automatically save money. In fact, it has not. Following are some examples of where the Department of Aviation gave managed competition a chance – and it worked better, saving the City money while giving City employees a fair chance to compete.

In reaching these conclusions, it is important to consider overhead. Overhead costs are typically expenses of a business that cannot be attributed to any specific activity but are necessary for the business to function. They include such expenses as rent, utilities,



insurance, and portions of supervisory and management salaries required to oversee an operation.

In comparing City worker costs to private vendors, overhead needs to be added to **both or none** in order to make a fair comparison. The City cannot provide actual overhead costs, therefore, throughout this paper, overhead is calculated at 25 percent to determine a “fully loaded” rate for City workers. This rate is used in some of these examples, even though in some instances they may not apply, to avoid any criticism that the real costs incurred by City workers are not considered. Even so, City workers beat private vendor rates handily.

In addition, in most cases, Fringe Benefit rates are taken from a February 25, 2011, memo to Department Heads from Steven Lux, City Comptroller and Eugene Munin, Budget Director. There continue to be questions about the accuracy of these rates; nevertheless, they are used here, once again, to avoid any criticism that calculations do not consider City costs in their entirety.

#### **A. O’Hare Terminal 2 gate lighting project**

The Department of Aviation recently requested bids to retrofit gate lighting at O’Hare Airport Terminal 2 in order to make the system more energy efficient. The successful private contractor bid \$941,962 for this work. The department reconsidered its approach and asked its own City electrical workers to submit a bid. The City workers’ bid came in at \$539,775 – more than \$400,000 below the private contractor. Not only has the City saved significantly on this project, but also City workers who are City residents and taxpayers remain employed. Additionally, these City workers are engaged in new approaches to introduce energy-efficient technologies to the City, and developing critical institutional knowledge.

This is just the latest example. In the recent past, City workers have also successfully bid on Department of Aviation work targeted for private vendors and saved the City over \$1 million:

- Grounded homeruns repair project – saving \$225,000
- Ramp lighting – \$400,000
- LED lighting upgrade – \$265,000
- H&R building switch gear – \$161,000

#### **B. Custodial work in the Department of Aviation**

In 2001, the City notified the union that it planned to privatize all custodial services at O’Hare Airport to save money. The union met with Department of Aviation officials and proposed ways that costs could be reduced without turning all of the work over to a vendor. The City agreed to retain about 100 custodial workers and to allow City workers to maintain one terminal: As a result, not only were the services provided for less money, in 2009 the Department of Aviation notified union leadership that it would begin

hiring back City custodians in response to a customer satisfaction survey conducted by the Department on the quality of services in the terminals maintained by the private vendor.

### **C. Installation of communications data system at Department of Aviation Building 400**

The Bureau of Electric Wiring & Communication, now within the Department of General Services, was provided the opportunity to bid on the installation of a communications system for the newly renovated offices of the Department of Aviation. The department accepted bids from private vendors – but awarded the work to City employees for a savings of \$250,000.

## **1.4. Employing Fair Competition More Would Have Saved Chicago Even More Money**

Unfortunately, prior City administrations only rarely allowed City workers to show that they could have done the job better and cheaper, saving more taxpayer dollars than a private contractor. Following are instances in which the City insisted on going ahead with privatization even though it cost taxpayers more.

### **A. Managed competition for recycling savings**

In January 2011, the City put out for private bid the “Collection and Processing of Blue Cart Materials from Households and City Facilities.” Eight vendors submitted bids, five of which covered all six zones, so we will use these for comparison purposes. These bids ranged from a low of \$10.8 million to a high of \$383.5 million.

In addition to these charges, moreover, all the private contractors expect to keep for themselves the recycling revenues that currently accrue to the City. Since the City would thus lose these revenues, instead of retaining them as now if the work remained in-house, these revenues represent an added cost to the City and its taxpayers of outsourcing this work. To get at the true cost of the outsourcing, then, we must add in the value of the revenues the City will also hand over to the vendors.

To calculate these revenues, the City provided its recycling revenue from 2007 through the first quarter of 2011. For the first three months of 2011, the City shows about a 300 percent increase in revenue over the same quarter in 2010 – due to increased collections and increased average payments per ton (\$30.72 in 2011 compared to \$21.32 in 2010).

**Recycling Revenue  
2010 Actual and 2011 Estimated**

	2010 Actual	2011 Actual	2011 Estimated
January	\$45,851.49	\$167,062.71	
February	\$39,699.34	\$91,633.21	
March	\$44,549.14	\$129,405.28	
April	\$151,595.39		\$454,786.17
May	\$136,571.37		\$409,714.11
June	\$172,652.84		\$517,958.52
July	\$123,547.14		\$370,641.42
August	\$110,072.82		\$330,218.46
September	\$122,932.77		\$368,798.31
October	\$95,108.35		\$285,325.05
November	\$98,646.99		\$295,940.97
December	\$97,656.75		\$292,970.25
	<b>\$1,238,884.39</b>		<b>\$3,714,454.46</b>

First quarter of 2011 is actual revenue; the remainder of the year is estimated at the same average increase (300 percent) as the first quarter of 2011 over 2010.

Projecting this increase throughout the rest of 2011, it is estimated that the value of recycling revenue in 2011 will total \$3.7 million. Recycling revenue, therefore, becomes a significant factor in calculating the real cost of privatizing recycling.

**Vendor Bids All Six Zones**

		Recycling Income Kept by Vendor Projected	Total Cost of Contract
Allied Waste Transportation Inc.	\$14,271,805.68	\$3,700,000.00	<b>\$17,971,805.68</b>
Flood Bros. Disposal C	\$379,843,776.00	\$3,700,000.00	<b>\$383,543,776.00</b>
Metal Management Midwest Inc.	\$7,865,016.00	\$3,700,000.00	<b>\$11,565,016.00</b>
Pratt Recycling Inc.	\$14,300,265.72	\$3,700,000.00	<b>\$18,000,265.72</b>
Waste Management of IL Inc.	\$7,137,305.52	\$3,700,000.00	<b>\$10,837,305.52</b>

These costly options are not the only ones available to the City, however. Local 1001 took this opportunity to submit a bid to the City, using the same level-of-effort offered by the private vendors – a total of 28 crews deployed throughout all six zones – and using data provided by the City for such items as truck costs and fringe benefit costs. Moreover, since only 28 trucks of the 45 currently available would need to be dedicated to recycling, this could also potentially reduce *other* overtime costs in bureaus within DSS where workers have had to be moved around from one service to another due to mismatches in the numbers of trucks and workers available.

### Local 1001 Proposal All Six Zones

	Quantity	Rate	Monthly Total	Yearly Total
<b>Laborer's Hourly Rate</b>	28	\$34.37	\$166,809.07	\$2,001,708.80
<b>Laborer's Relief</b>	4	\$34.37	\$25,021.36	\$300,256.32
<b>Fringe @ 35%</b>			\$67,140.65	\$805,687.79
<b>Driver's Hourly Rate</b>	28	\$33.95	\$164,770.67	\$1,977,248.00
<b>Driver's Relief</b>	4	\$33.95	\$24,715.60	\$296,587.20
<b>Fringe @ 35%</b>			\$66,320.19	\$795,842.32
<b>Truck Costs</b>	28	\$344.00	\$208,693.33	\$2,504,320.00
<b>Total Yearly Cost</b>			<b>\$723,470.87</b>	<b>\$8,681,650.43</b>

As can be seen from these bids, the real net cost of Local 1001's bid is significantly lower – by anywhere from 20 percent to 55 percent -- than those of the lowest competitive bids from private vendors. If the City maintained these services in-house, giving City workers an opportunity to work more efficiently, the City would be saving millions of dollars this year.

### B. Contracting for electrical work and other labor

The City recently received a bid from a vendor to complete electrical work at a City facility. The vendor's bid estimated 276 hours of labor at a cost of \$33,156 – an average hourly rate of about \$140. City employees took a look at the scope of work and estimated the total hours to be 176. The average fully-loaded hourly rate for City employees needed for this type of electrical work is \$75, for a total job cost of \$12,944 (see chart below) – a savings of over \$20,000, or 60%. Even if City employees took as many hours for the work as the vendor estimated (276), labor costs still would be only \$20,775, a savings of over \$12,000, or nearly 40%. The vendor's average hourly rate is almost twice the average fully-loaded City employee rate.

<b>Contract Labor-Only Bid</b>			
	<b>Bid</b>	<b>Estimated Hours</b>	<b>Average Hourly Rate</b>
Primary Contractor	\$6,364	34	\$187.18
Sub 1	\$11,138	82	\$135.83
Sub 2	\$15,654	160	\$97.84
<b>TOTAL LABOR</b>	<b>\$33,156</b>	<b>276</b>	<b>\$140.28 (average)</b>

  

<b>City Employee Labor-Only Estimate</b>			
		<b>Estimated Hours</b>	<b>Hourly Rate</b>
Foreman	\$1,848	24	\$77.00
Electrical Mechanic	\$11,096	152	\$73.00
<b>TOTAL LABOR</b>	<b>\$12,944</b>	<b>176</b>	<b>\$75.00 (average)</b>

Note: Calculation of City employee hourly rate:

- Foreman: \$89,440 yearly, 32.40% fringe, 25% overhead
- Electrical Mechanic: \$84,032 yearly, 33.46% fringe, 25% overhead

#### **C. Department of Innovation and Technology contract for support and management of the Office of Emergency Management and Communications**

In December 2010, the Department of Innovation and Technology entered into a Task Order Request for the support and management of the CLEAR system in the Office of Emergency Management and Communications. This action resulted in 10 City employees being laid off.

The vendor quoted rates ranging from \$125/hour to \$175/hour, for an average of \$150/hour. At this average rate, the annual maximum billing permitted under the contract – \$1.3 million – translates into 8,667 hours of work.

City employees' doing this same work prior to privatization were paid between \$32 and \$45 per hour for an average of \$38.50. Including fringe benefits at 35.74 percent and 25 percent overhead, City employees' average fully loaded rate is \$65.32 – almost \$85/hour less than the vendor average. If City workers performed the same number of hours of work (8,667), total expenditures for the year would be only \$566,000 compared to the vendor cost of \$1.3 million – a saving of \$734,000.

#### **D. Contracting for the street roll-off box program**

The City maintains a system of pits located in each district, which were used by the Department of Streets and Sanitation to gather debris collected from street and lot

cleaning and other clean-up activities. Front-end loaders, already on the streets for a wide range of jobs, were used to load trucks and transport debris to landfills.

In the current system, the City contracts with a vendor to place roll-off boxes into the pits for the collection of debris. It is estimated that almost 8,000 boxes are used per year with a capacity of about 10 cubic yards (about half of the capacity of a dump truck). Payments to the contractor for this service amount to approximately \$2.5 million per year, almost \$755,000 of which is for “pulls” alone, that is, loading up the boxes for transport.

In addition to the cost, this system of roll-off boxes poses additional management and oversight problems for the City. First, the boxes are accessible and unattended, allowing for illegal dumping where the public and/or businesses can dump debris into the boxes. In addition, this system does not allow the City to closely monitor tonnage being brought to the landfills by the private vendor, even as the City installed scales on its own trucks to better monitor tonnage. Meanwhile, it is not uncommon for about half of the City fleet of heavy equipment such as front-end loaders and trailers needed for this type of operation to be idle on any given day.

As shown below, we estimate that performing this operation in-house would cost approximately \$564,699 for activities comparable to the “pulls” noted above, that is, operating a trailer and driver in-house full-time in each of five districts.

Driver salary/hourly	\$33.85
Fully loaded Driver salary/hourly	\$58.82
Driver salary/yearly	\$112,934
<b>Total for 5 Districts</b>	<b>\$564,670</b>

Note: Fringe calculated at 39.02%; 25% overhead

Bringing back debris removal in-house thus could save the City approximately \$190,000 per year (\$755,000 - \$564,670). This does not include possible savings from reducing the illegal dumping in boxes now taking place and more accurate landfill fees based on actual weight.

#### **E. Board-Up/Break-In costs**

The City currently has a contract with a private vendor to perform “break-in” work on vacant properties at a cost of \$269 per break-in. During the week of June 14<sup>th</sup>, seven break-ins were completed, taking 2.5 hours each, and costing the City \$1,883 (7 break-ins x \$269 each).

City carpenters who do this work earn about \$44/hour, or \$74/hour fully loaded (33.53 percent fringe and 25 percent overhead). Two and a half hours of work at a rate of

\$74/hour to complete seven break-ins would have cost the City \$185 compared to the vendor cost of \$1,883, a saving of almost \$1,700 for that one week.

The City also contracts with a private vendor for “board-up” services, at a rate of \$175 per opening. Subtracting out the cost of materials (one sheet of plywood at \$28), each opening takes about 10 minutes at a labor cost of \$147/per opening for the vendor. At 10 minutes per opening, it is estimated that a vendor could complete five openings in one hour at a cost to the City of \$735 (\$147 X 5 openings). Using the same assumptions, five openings could be completed by a crew of City carpenters at a rate of \$147.14/hour, assuming two carpenters on the job – a savings in labor to the City of over \$587/hour – one quarter the cost of the private vendor.

	City Carpenter Cost	Vendor Cost
Carpenter Hourly Rate	\$44.17	
Fully Loaded Hourly Rate	\$73.57	
Two Carpenters per Hour	\$147.14	
<b>Complete 5 openings</b>	<b>\$147.14</b>	<b>\$735</b>
<b>SAVINGS</b>		<b>\$587.86</b>

#### F. Airport runway broom refurbishing

Large brooms are used at both O'Hare and Midway to remove snow from airport runways. Maintaining these brooms for optimum use requires frequent replacement of their bristles. City machinists can complete the refurbishing of a broom in 4.5 hours at a total cost of about \$322. The City, however, now contracts out this service to a private vendor at a cost of \$1,150 per broom. Even when a vendor repairs the brooms, the City supplies the parts and manpower to load and unload brooms for transport to the vendor and must provide inspection of work, contract oversight and accounting requirements. Keeping broom refurbishing in-house saves the City and its taxpayers about \$800 per broom, \$160,000 per year.

	City Machinist Cost	Vendor Cost
Hours to refurbish	4.5	
Hourly Machinist rate	\$43.16	
Fully loaded hourly Machinist rate	\$71.47	
<b>Total cost Per Broom</b>	<b>\$321.62</b>	<b>\$1,150.00</b>
<b>Average 200 Brooms per year</b>	<b>\$64,324</b>	<b>\$230,000</b>
<b>Yearly Savings (200 Brooms per Year)</b>		<b>\$165,676</b>

Note: Calculation of City employee hourly rate: Machinist at \$89,773 yearly; fringe benefits of 32.48%; overhead at 25%. Vendor price from invoices to the City for work performed.

## 1.5. What Do These Examples Mean for the City of Chicago?

City officials and the City workforce have a shared responsibility to work for the greater good – providing needed services, protecting the public interest, and spending the public's money wisely. That requires a realistic understanding of what services are needed and what are the real costs. Simply transferring responsibility to the private sector can be short-sighted and costly – and even in those instances where it might make economic sense, it needs to be done correctly and transparently.

In other cities, and in Chicago itself, there are examples of how everyone wins when City leadership and City labor works together. In order to foster and grow these opportunities, the City must:

- Identify services which are inherently governmental and are not conducive to privatization solutions.<sup>5</sup>
- Prohibit non-competitive contract awards in most circumstances, as other jurisdictions have done. That means eliminating such contracting mechanisms as no-bid contracts or Task Order Requests (TOR) except for very restricted emergency needs.
- Require managed competition when looking at privatizing and at any point it makes sense to bring work in-house.
- Develop a framework for evaluating the true costs of providing services that includes all related costs from departments that support the targeted operation, and the best way to deliver the service in-house, before considering privatizing.
- Give Workers and their union the resources and support to develop an in-house bid to respond to Requests for Proposals so that there is a level playing field.
- Evaluate both public employee and private sector proposals on the same basis to ensure fair competition.
- Require private vendors to pay comparable wages and benefits – rather than a package of salary and benefits that plunges families into poverty even while working – so that City workers making a fair wage with benefits are not undercut by unscrupulous vendors who want profit by underpaying their workforce.
- Establish clear performance measures to monitor and track services and costs throughout the life of any contract, and make the results publicly accessible so that city workers know when it might make sense to put in a bid to bring contracted work in-house.

In the examples of managed competition noted here, savings for just one service ranged from 35 percent in Indianapolis for fleet services to 10 percent in Tulsa and San Diego



for property maintenance and print shop services, respectively. In Chicago, the Terminal 2 lighting project produced a saving of 42.7 percent over the private vendor bid.

If managed competition saved Chicago just 10 percent of its estimated \$400 million in professional, technical, skilled and general labor contracting costs, the City taxpayers would achieve **\$40 million in savings.**

## 2. RIGHT-SIZING GOVERNMENT: ELIMINATING UNNEEDED MID-LEVEL MANAGEMENT AND POLITICAL APPOINTEES

There's one place where the City has way too many employees on the public payroll: mid-level management and political appointees.

In some City departments, there's one manager for every two frontline staff.

In recent years, the number of City employees has been reduced. According to the City's own budget documents, the City workforce has been reduced by 5,880 positions since 2002, a 15 percent decrease. But the number of supervisors, mid-level managers, and political appointees has not been proportionately reduced with the rest of the City workforce. This has created an imbalance in many departments, where fewer workers are actually *doing* the work and an excessive number of supervisors and managers are *overseeing* the work, increasing the cost to the City and its taxpayers. We don't need to be firing any more of the people actually doing the work – we need to get rid of the excessive number of people watching them do it.

There is no one answer as to what is the most advantageous span of control for an organization. In fact, the opinion of organizational design experts has changed over time: Early in the 20<sup>th</sup> century, there was a consensus that six-to-one was an optimum ratio of frontline workers to managers. Today, that number is placed at more like 10- or 15-to-one, based on trends toward flattening organizational structures and the use of improved technology available to manage work and people.<sup>6</sup>

### 2.1. Examples from Other Jurisdictions

City and state governments around the country are realizing that narrow spans of control and additional layers of management in an organization add significantly to the cost of doing business. Yet these are rarely closely monitored to maintain optimum staff to manager ratios – and certainly not in Chicago. The following examples are merely intended to illustrate what might be achieved in Chicago through a careful staffing analysis.

- In 2001, Iowa started a concerted effort to increase the span of control in departments to 12:1 from 9:1 when the effort started.
- In May 2011, AFSCME, SEIU, UAW Council 6000 and the Michigan State Employees Association worked with a contracted researcher to study the issue of span of control and layers of management in Michigan government after a series of reductions in force – the state workforce was reduced by 22 percent from 2000 to 2010, a reduction of 13,500 workers. Researchers found an average span of control of 5.87:1. The researchers also calculated that improving the span by just one (6.87:1) would save the state \$75 million in salaries alone.<sup>7</sup>

- In Florida, the state's Chief Financial Officer adopted new reforms to streamline middle management in the Department of Financial Services, creating greater efficiency and saving the state \$8 to \$10 million a year. Under the new policy, as agency managers resign or retire, their positions will be eliminated and the agency structure reengineered using existing staff to cut unnecessary layers in government. The CFO estimated that implementing this policy statewide, making the government slimmer and smarter, would save the state of Florida as much as \$300 million a year.<sup>8</sup>

## 2.2. Examples in Chicago

Chicago has gone through similar frontline worker downsizing without a corresponding review and downsizing of supervisory and management positions. Information from the City's Human Resource web site that lists every employee by name, title, department and salary provides a few examples:

- A preliminary review of all titles within the Chicago Department of Family and Support Services indicates that there are 334 frontline staff and 203 others in various supervisory/manager titles (this count does not include titles such as Foster Grandparent, Elder Companions, etc.), for a total of 537 positions. That is a staff-to-manager ratio of **only 1.6:1**, far below the recommended average of about 10:1. In addition, DFS's 537 employees report to:
  - 14 Deputy Commissioners,
  - 4 Assistant Commissioners,
  - 6 Assistants to Commissioners, and
  - 17 Directors in various units such as Administration, IT, HR, etc.
- The Department of Information Technology has 11 Deputy Chief Information Officers alone in a department with 103 FTEs.
- Of the 477 filled positions listed for the Department of General Services, 422 are frontline titles, while 55 are supervisors, managers, or administrators. DGS, therefore has a 7.6:1 ratio of frontline workers to supervisors/managers/administrators – also well below optimal ratios of between 10 and 15.

A definitive savings amount cannot be calculated for reducing unneeded supervisors until a more thorough analysis of each department is conducted. Comparing Chicago to the Michigan example described above, however, is illustrative. The Chicago workforce is about half the size of the State of Michigan workforce; if raising the frontline to supervisor ratio by one in Michigan will save \$75 million, it is not unreasonable to expect about half of that in Chicago, or **\$37.5 million**.

### **3. INSTITUTING MORE EFFICIENT MANAGEMENT OF CITY GOVERNMENT**

Even without the ability to conduct a comprehensive review of City government, labor is proposing below a wide range of ideas that it has developed, or that have been developed elsewhere and that it supports. Together, these ideas would save the City \$64 million per year. A full-scale process embraced by the City, however, could identify even *more* savings.

The following examples include both ideas developed by Chicago unions and city employees based on their knowledge of the workings of City government, and ways that other jurisdictions have identified efficiencies and better ways to conduct business that Chicago should investigate for similar savings.

#### **3.1. Examples of Potential Savings Identified by CFL Members**

##### **A. Use flexible schedules to deploy workers more efficiently**

In 2005, multiple trades representing workers in several departments negotiated a 10-hour, 4-day work week schedule to allow the departments more flexibility in scheduling work crews. At the time, the City noted that it could save money by reducing the amount of time needed for set-up and dismantling of equipment at a job site and by reducing the cost of equipment rentals since the equipment would be needed only four days instead of five.

One example of how this scheduling would work to save money, but is not being taken advantage of, is in construction work. For instance, in the Department of Water Management, a 4-day week would save the costs of worksite set-up as well as equipment rental on the fifth day each week, allowing as much work to be done for much less.

Further construction savings would be possible if this arrangement were extended to the Department of Transportation (CDOT). During a regular 8-hour shift, CDOT workers are able to pour only one load of cement, which takes about five hours to complete, thus completing five loads per week. If, especially during construction season, CDOT went to the flexible schedule and used a 10-hour, 4-days per week shift, these crews could pour two loads per day, eight per week – a 60 percent increase in productivity, with no additional labor costs and savings on fuel, equipment rental and other related costs.

##### **B. Establish an apprenticeship and seasonal trainee programs**

City crews in construction, street lighting installation or repair, streets and others are working with all journeyman-level crews. Crews would be as effective and cost less if they were made up of helpers, trainees and apprentices working with trained journeymen. Two examples of savings are presented below.

Laborers' Local 1001 and Local 76 recently negotiated the start of an apprenticeship program in the Chicago Department of Transportation. The City will be hiring 70 apprentices to perform asphalt and concrete work. With the increased manpower and the ability to capture some, if not all, of the private vendor work, the City could realize a saving of at least \$3 million in the first year alone.

There are other work areas in which the City can take advantage of apprenticeship or trainee programs. The City recently provided a list of titles that it would consider in expanding an apprenticeship or seasonal trainee program. Each local will be negotiating with the City, but here are a few examples of how this approach can benefit the bottom-line.

### Local 1092 (Laborers) Example

<b>Construction Laborer</b>		
Journeyman hourly rate	\$35.20	
Base Salary: 50 Journeyman for 6-months		\$1,830,400.00
Pension Benefits: 50 Journeyman for 6-months	\$155,584.00	
Medicare Benefits: 50 Journeyman for 6-months	\$26,541.00	\$26,541.00
Pension and Medicare: 50 Journeyman for 6-months		\$182,125.00
<b>Total Wages and Benefits: 50 Journeyman for 6-months</b>		<b>\$2,039,066.00</b>
<b>Apprentice</b>		
Apprentice hourly rate	\$21.12	
Base Salary: 50 Apprentice for 6-months		\$1,098,240.00
Pension Benefits: 50 Apprentice for 6-months	\$86,488.00	\$86,488.00
Medicare Benefits: 50 Apprentice for 6-months	\$14,754.00	\$14,754.00
Pension and Medicare: 50 Apprentice for 6-months		\$101,242.00
<b>Total Wages and Benefits: 50 Apprentice for 6-months</b>		<b>\$1,300,724.00</b>
<b>TOTAL 6-MONTH SAVINGS</b>		<b>\$738,342.00</b>

Note: Fringe benefits calculated according to agreement between Local 1092 and the City.

### Local 9 (IBEW) Example

Street Light and Traffic Light Crews			
	Repairmen		Seasonal Trainee
Hourly Rate	\$41.85		\$22.85
Yearly Wage	\$80,352.00		\$43,872.00
Benefits	\$27,649.12		\$22,256.27
Overhead	\$27,000.28		\$16,532.07
Total	\$135,001.40		\$82,660.33
Cost to run crew with 1 Repairman and 1 Lineman	\$270,002.81	Cost to run crew with 1 Repairman and 1 Trainee	\$217,661.74
Yearly Savings per Seasonal Trainee	\$52,341.07		
Yearly Savings for 20 Seasonal Trainees	\$1,046,821.40		

Note: Overhead calculated at 25%. Repairmen fringe benefits at 34.41%. Trainee fringe benefits at 50.73%.

### C. Coordinate heavy duty equipment needs across departments

Several City departments – Streets and Sanitation, Water, Transportation, General Services, Aviation – regularly use heavy equipment such as forklifts and front-end loaders to complete various types of construction and maintenance work. No department has all of its heavy equipment resources in use every day. There are instances when one department has equipment sitting idle while another is privately leasing the same equipment because it needs additional capacity. The City should require departments to enter into cooperative agreements that would require them to determine if any department has the equipment needed before moving to leasing.

In the past two and a half years, the City spent \$28.2 million for heavy-duty equipment rentals<sup>9</sup>; Hertz alone was awarded a contract on March 17, 2011, lasting through March 16, 2016, for almost \$30 million (P.O. # 240271). This is just one of several contracts for renting such equipment. While some of this spending may be needed because the City does not have sufficient heavy-duty equipment for specific instances, some of it is due to departments failing to work together to maintain an equipment inventory that could be used across department lines.

Reducing heavy equipment rental by just 10 percent could save the City and its taxpayers about \$2 million per year.

#### **D. Audit telephone usage and billing and accelerate installation of new equipment**

Cities and states around the country are finding waste and mismanagement related to both landline and cellular telephone usage.

- The State of Louisiana just finished an audit of its cell phone usage and found more than one quarter of the over 9,900 cell phones in use had no activity for 10 months or more, costing the state \$591,000.<sup>10</sup>
- Washington D.C. completed an audit of its \$22 million per year in spending on telephone services. The audit uncovered over \$1.8 million being spent for more than 9,000 phones that either are not being used or are not even part of the city system.<sup>11</sup>
- Last year, the New Jersey Comptroller audited just one agency in state government and found \$3.5 million in savings. Recommendations ranged from eliminating unused phones and data lines that were not being used but for which the state was being billed, and saving \$250,000 that was being spent on employees using directory assistance. The report also noted that the state was not taking advantage of competitive bidding for telecommunications services.<sup>12</sup>

Chicago has examples of its own. The City has taken steps to start the upgrade and consolidation of some telephone lines and switches. There remains, however, significant opportunity to save even more money by accelerating the consolidation of lines into one PRI circuit at each site.

A sample of savings that could be achieved is displayed below.

<i><b>Number of Sites</b></i>	<i><b>Current Monthly Cost</b></i>	<i><b>Cost Consolidated PRI</b></i>	<i><b>Monthly Savings</b></i>	<i><b>Yearly Savings</b></i>
61 sites	\$101,538	\$42,700	\$58,838	\$706,056
106 sites	\$10,070	\$3,180	\$6,890	\$82,680
<b>Total Savings</b>				<b>\$788,736</b>

Significantly more savings could be achieved if the City conducted its own audit of all circuits and telephone usage. The City should include in this review the use of radios versus Nextel telephones now used in many trucks. It is not clear why the additional cost of these phones was incurred when previously radios were sufficient, and in fact, preferred by workers.

## **E. Improve procurement procedures**

The City of Chicago has tremendous purchasing power – procuring \$1.6 billion in goods and services – that it is not adequately using or managing. Every recent review outlining ways the City can save money has pointed out the need for procurement reform. While improvements have been made recently, the system remains cumbersome, complex, and not fully integrated so that the City loses out on best pricing, assumes higher risk than necessary, and may not be getting the best vendor for the best price. In addition, there are instances when the City is buying through a third-party but could purchase directly from manufacturers, instead.

A recent United States Government Accountability Office (GAO) report highlighted strategic sourcing best practices gleaned from the private sector that could be implemented by the federal government to produce procurement savings. The report noted that a group of federal agencies was combining their office supply purchasing in order to reduce costs by an estimated 20 percent, or \$200 million, over four years.<sup>13</sup>

The National Association of Procurement Officers<sup>14</sup> suggests such best practices as:

- Tightening policies on purchasing and requiring departments to buy from Strategic Sourcing (Citywide) contracts where available.
- Reducing sole source/no bid and emergency contracts and change order procurements.
- Setting targets for procurement reductions.
- Expanding cooperative agreements, including those with the county, school district, courts, etc.
- Expanding e-Procurement opportunities.
- Ensuring that procurement staff possesses the requisite education, training and experience to be procurement professionals.
- Better tracking and accountability of expenditures to prevent redundancy and overbilling.

Implementing these types of reforms saved Minnesota \$50 million per year and Virginia about \$38 million.<sup>15</sup>

It is reasonable to suggest that, by adopting these recommendations, Chicago can save between 3 and 5 percent on its purchasing of goods, which account for about \$1.2 million of the total spending. That's a saving of between \$36 million and \$60 million.

## **F. Make better use of garages and in-house mechanics for fleet maintenance and repair**

Chicago currently operates 13 garages for the repair and maintenance of the City fleet. Eight of these garages are open beyond an 8-hour shift; five are open only for one day shift. As detailed above, a City machinist's fully-loaded hourly rate is \$71.47. This rate



is very competitive when compared to private vendor rates of between \$78 and \$150 per hour. The City would benefit from a careful analysis of the use of garages, perhaps even expanding use by servicing the county fleet and generating income for this service.

#### **G. Save by updating to new materials**

Chicago has miles of sidewalks that were built many years ago on top of tunnels that were once used to raise the sidewalks above the river. These “vaulted sidewalks” are old and collapsing. Typically, a repair requires the filling in of a section (usually about 6’ by 25’ by 12’) with 22 cubic yards of material. Currently, this is done with a flowable-fill ready mix wet sand costing the City \$100 per cubic yard. However, crushed limestone, at a cost of only \$18 per cubic yard, is a more cost-effective product available today but not used by the City.<sup>16</sup> Switching to crushed limestone would represent an 82 percent savings in materials for these repairs.

#### **H. Take advantage of electronic filing in lieu of newspaper notices**

According to the U.S. Census, 68.7 percent of households have computers and access to the Internet; and this number continues to grow rapidly.<sup>17</sup> Businesses could not compete in the current environment if they had no Internet access. Yet many jurisdictions, Chicago included, continue to rely on newspaper announcements to advertise bidding opportunities and other legal notices. New Jersey recently considered legislation to reduce paper ads and require state and local governments to post notices on web sites – conservatively estimating a savings of \$8 million annually to the state.<sup>18</sup> A similar move in Pennsylvania is estimated to save state and local governments as much as \$50 million a year.<sup>19</sup>

Chicago should review its print notice requirements and spending, request needed changes to state statute, and update City policies to allow for electronic notices. It is not possible at this time to determine how much the City spends on newspaper legal notices and announcements of bid opportunities. Judging from a random sample of contracts online, it must be millions of dollars: Copies of the print ads are included in each contract posted on the City database and it is not unusually for these to run to as much as 10 inches long – about 40 lines of print. A 20-line ad in the *Chicago Tribune* costs about \$450. Eliminating 1,000 of these print ads would save the City and its taxpayers \$900,000.

#### **I. Standardize street lighting system**

The City now uses 30 different types of street lighting<sup>20</sup>, making the cost of parts (\$1.4 million alone), maintenance, supply and inventory more complex and costly.

A study conducted by **Public Works** at found that the West Virginia Department of Highways was spending an additional \$500,00 per year to inventory and install several

different sizes of pipe when more uniform sizes could be used for most jobs. Standardizing sizes and simplifying inventory requirements can save the City of Chicago in similar ways.

#### **J. Review fleet management policies**

The City sold 213 vehicles at auction between July 13, 2010, and July 12, 2011.<sup>21</sup> While there is a statement indicating that these vehicles were “in poor condition,” there is no way to confirm this information and the City does not track the mileage on vehicles sold. The City should:

- Tighten policies and tracking of sale of vehicles to ensure that a vehicle is not sold until its usefulness is exhausted. Some jurisdictions use a standard of 120,000 miles to gauge a vehicle’s usefulness before sale.
- Reduce the number of vehicles in its fleet by tightening policies concerning take-home use, assignment of cars, and general policies on fleet management.
- Ensure replacement vehicles are energy efficient. Of the 213 vehicles sold in the year noted, 58 (27 percent) were Crown Victorias – large, gas guzzling cars that should be eliminated from the fleet.

#### **K. Reduce the use of outside legal counsel where possible**

The City spent approximately \$20 million per year in the last two years for contracted legal counsel – \$20.1 million in 2010 and \$19.1 million in 2009.<sup>22</sup> At the same time, there are 68 Law Clerks making a base salary of approximately \$25,000 per year included in the City budget. The City should review its use of outside counsel and ensure that they are only used when the expertise is needed and not found within the City’s own ranks.

#### **L. Optimize revenue-producing operations**

Following are just four examples of ways the City can generate revenue – four ideas that alone could generate millions of dollars.

##### **Auditors**

State and local governments do not collect all of the revenue due to them when auditors are eliminated. Studies show that a new auditor (less than three years experience) can collect about \$725,000 annually; this rises to \$1 million annually with experience. In Chicago, with a starting salary of about \$55,000 plus fringe at 43.48 percent and overhead at 25 percent, total cost for a new auditor would be about \$98,000 per year. If a new auditor collected \$725,000, the net benefit to the City would be \$627,000 – and as much as \$900,000 for an experienced auditor. Hiring just five new auditors could mean an additional \$3.2 million in net revenue to the City.

### Boiler Inspections

In 2007, Chicago had 9 Boiler Inspectors who identified revenue of just over \$1.6 million, of which 94 percent was collected (\$1.5 million). Netting out the cost of the Inspectors, including overhead and benefits, increased revenue amounted to over \$400,000 or a net gain of almost \$50,000 per Inspector.

Base Salary	\$70,000
34.41% fringe	\$24,087
25% OH	\$23,522
<b>TOTAL COST Per Inspector</b>	<b>\$117,609</b>
9 Inspectors	\$1,058,479
Collected	\$1,500,000
<b>Net Gain</b>	<b>\$441,521</b>
<b>Net Gain Per Inspector</b>	<b>\$49,058</b>

In 2010, the City is down to only five Inspectors, who generated \$634,000 in revenue with the same collection rate of 94 percent (almost \$600,000). If the City restored Inspectors to the 2007 level of nine Inspectors, it could produce additional net revenue of almost \$200,000.

### Small business trash collection

City trash trucks pass by small business trash carts every day as they work throughout the City to collect residents' trash. The City workers don't pick up this trash because small businesses are required to pay private vendors for trash pick-up.

Recently, Laborers' Local 1001 surveyed private companies hauling trash for small businesses and found that the average cost to a business was about \$107 per cart per month, ranging from a low of \$91.35 to a high of \$127.78. The Local also surveyed each ward to estimate how many small businesses had private vendors picking up their trash: There are hundreds.

This, then, presents an opportunity for the City to generate revenue. Why not have City workers, who are standing right next to the small business trash cart as they pick up residents' trash, collect the trash of the small business for a slight fee? Charging \$75 per cart per month would save the small businesses money *and* generate about \$3.7 million for the City (assuming only 100 participating small businesses in each of the fifty wards). This could be accomplished with no significant cost to the City since workers and equipment are already at these locations, but, to be conservative, our calculation, nonetheless includes cost for increased tonnage and other incidental costs of about \$750,000.

### **M. Expand citation authority**

Currently, only Refuse Collection Coordinators are authorized to write citations for violations such as overflowing dumpsters, overgrown lots, and rodent problems. Other supervisors from the Departments of Streets and Sanitation, Transportation, and General Services, who are in the neighborhoods often, observe violations or receive complaints from citizens, however they are not empowered to do anything except notify the Refuse Collection Coordinators. At times, because of the amount of time it takes to make these referrals, the violation is cleared-up before a citation can be written.

If the City trained and authorized its approximately 100 supervisors in these other departments to write citations, with an average fine of about \$150, it is not unreasonable to expect to collect \$250,000 in fines. In addition, this would reduce the number of citizen complaints and greatly improve the quality of life for neighbors who now are living with overflowing dumpsters and other trash violations.

## **3.2. Other Ideas Labor Endorses to Produce Further Savings for the City**

### **From the Joint Committee on City – County Collaboration**

Following are recommendations noted in the *Joint Committee on City – County Collaboration* report released in June, 2011:

#### **A. Improve asset management**

The City has taken a first step to centralize the oversight of its assets, such as property, leases, and fleet. The next step should be to ensure there is an accurate inventory of all assets and to move aggressively to sell all real property that is no longer needed and to consolidate lease space. As noted in the report, consolidating space and selling off unneeded property could produce as much as \$3 million to \$7 million for the City and its taxpayers.

#### **B. Streamline and improve on collection of various taxes**

The City and County each administer taxes – some taxes imposed by both jurisdictions, some by just one or the other. Businesses are required to maneuver through both systems, each government entity provides services which cause duplication of effort, and yet in the end, not all of the taxes that should be collected are. A recent audit found that, of 2,410 businesses required to pay cigarette taxes, 819 had not. Collaborating with the County, streamlining the collection process, and more rigorously collecting taxes due could produce millions of dollars in revenue to the City and its taxpayers.

### **From the Civic Federation Report**

Following are recommendations identified in the Civic Federation Report released on June 30, 2011.

#### **A. Improve all aspects of procurement**

The City has not taken advantage of its potential buying power especially if it collaborates with other jurisdictions and government entities such as the school district.

In addition, as is described in detail in Section 1 of this report, essential improvements include:

- Making changes in-house to become more efficient before attempting to privatize,
- Correctly assessing all of the components of oversight and contract management that the City must perform when contracting with a private vendor, and
- Establishing metrics to accurately monitor and assess performance.

#### **B. Manage City assets more strategically**

Both the Civic Federation and the Joint Committee on City – County Collaboration recommend the creation of a strategic plan to manage surplus property. Auctioning off surplus real estate and other assets no longer needed by the City could mean millions of dollars in one-time funds for the City.

#### **From Teamsters Local 700 Letter and Report to Mayor Emanuel, May 10, 2011**

There are several underlying themes in the Teamsters' report that are included in this CFL report. These include:

- The Teamsters point out, as does this report, that a true assessment of the cost of contracted services needs to be conducted and that City employees should have an opportunity fairly to compete for work when a decision is made to request bids.
- The Teamsters note, as does this report, that the reduction in force has resulted in top-heavy organizational structures that add to the cost of doing business. The City needs to look at the ratio of administrative/management positions in relation to frontline workers and reduce management positions when there are too many.
- This report agrees with the Teamsters that the City needs to invest in training managers to reduce grievances and improve management oversight.

- The Teamsters identify areas, in addition to those in this report, where opportunities exist to save the City money by bringing work back in-house and expanding apprenticeship and seasonal trainee programs.

### **3.3. Conducting a Full Performance Review to Produce Even *Further* Savings for the City**

A Performance Review is designed to challenge assumptions. It is not an audit that checks to ensure money is spent according to acceptable accounting practices. It is a process that defines how services are provided, how business is conducted, what emerging demands are being placed on government agencies and departments – and how effectively and efficiently are the processes, procedures, policies, technology, and organizations responsible for the services operating. The end result of a Performance Review is the identification of recommendations: to reduce inefficiency and ineffectiveness; to improve services and the way business is conducted; to identify new technology to support operations; to establish ways an organization must change to meet changing demands; and to establish organizational structures, policies and procedures to most effectively and efficiently deliver services to citizens.

Based on results achieved by other state and local governments, a total City government performance review would save Chicago about **\$165 million** (5 percent of the \$3.3 billion Corporate Fund).

Some noteworthy results from Performance Reviews include:

- The State of Iowa completed a statewide performance review, identifying 90 recommendations for a total of \$340.9 million savings/non-tax new revenue in the first year; \$1.7 billion over five years.
- Colorado's statewide review yielded \$205 million in savings or new revenue over five years.
- In West Virginia in just seven agencies and cross-department functions, 100 recommendations yielded just over \$300 million in savings.
- New Mexico's two-part review found \$379 million in savings or new revenue.

The recommendations identified in these reviews consisted of realistic ideas gathered from people actually doing the work, best practices from other governments and the private sector, and solid analysis and findings that government leaders were willing to look at and willing to change business as usual practices.

The City of Chicago would have an advantage none of these other governments had: its unionized workforce as an active participant and support of the process. Since this section of the report has already identified or endorsed performance-enhancing

proposals totaling over \$64 million, the City clearly should be able to save at least the additional \$100 million projected if it picks up where this report leaves off.

#### 4. CONCLUSION

When did public employees become the enemy? City employees pick up our trash, fix our streets, teach our children, treat the sick, keep our streets safe – they perform a whole host of other duties that most residents take for granted. Yet, now, when Chicago faces very difficult decisions because of this unprecedented financial crisis, some wish to make public employees the scapegoat and say “if we only got rid of all those overpaid workers” we would be fine.

City workers themselves have different ideas:

Let’s get rid of the unnecessary bureaucracy that has grown up over the years providing high-priced jobs for the politically-connected.

Let’s get rid of the unfair advantages given to outside private contractors and contributors and, instead, let’s keep City residents working for our City.

Let’s put the know-how and inside knowledge of City workers to work for the benefit of City taxpayers to reduce inefficiencies in how City officials manage the workforce and the City’s business.

This report represents a unique opportunity. Across the country, governments and their employees are increasingly at loggerheads. Chicago is showing that there is a different way: Governments and their employees can work together to find savings and increase efficiency.

Labor is committed to working with Mayor Emanuel and hopes the Mayor is equally committed to working with City employees. Labor believes that this effort to identify potential efficiencies can and should serve as simply the next step in an on-going process of labor-management cooperation in City government. Labor invites the Mayor to continue this dialogue through the LMCC in developing the ideas in this report in greater detail and working together to develop additional ideas to save money for Chicago taxpayers.



## References

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